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United States Senate

COMMITTEE ON SMALL BUSINESS

WASHINGTON, DC 20510-6360

EMILIA OSANTO, STAFF DIRECTOR
PATRICIA R. FORBES, DEMOCRATIC STAFF DIRECTOR

June 30, 2000

The Honorable Aida Alvarez
Administrator, Small Business Administration
409 Third Street SW
Washington, DC 20416

Dear Administrator Alvarez:

The Small Business Administration (SBA) Office of Inspector General (IG) report on expenditures from the Small Disadvantaged Business program is most troubling. It appears that in practice SBA used funds supplied from other agencies, for the sole purpose of certifying SDB firms, as a general source of funding to support other SBA priorities.

Such expenditures as \$535,947 to do construction work in the Office of Government Contracting and Minority Enterprise Development and in the Eisenhower Conference room undoubtedly are not what the other contributing agencies understood would be the use of their scarce funds transferred to SBA. Ordering 240 desk chairs for a staff of 122 persons, at an unnecessary added cost of \$56,758, reflects, at best, poor judgment and poor planning. Purchasing \$126,470 worth of computers, printers, copiers, cell phones, and fax machines for those 122 employees, then allowing these simply to sit idle in storage when those employees ultimately were not hired, shows poor planning and management.

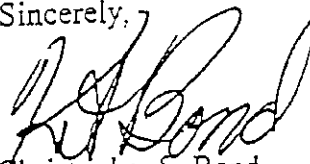
Your statement yesterday that SBA would refund the amounts improperly used to augment SBA's budget at the expense of Federal agencies was a positive step forward. However, I would have preferred more specificity in your commitment. Are you planning to refund the \$3.0 million improperly charged to the SDB program? Are you planning to refund the \$3.2 million for which SBA did not have justification to support charging to the SDB program? Are you planning to refund the entire \$6.2 million? To whom are you going to make refunds--to each contributing agency on a pro rated basis? Please provide answers to these questions not later than July 17, 2000.

To enable the Committee on Small Business (Committee) to monitor your progress in carrying out these refunds, please report back not later than July 31, 2000, on the amounts refunded during the month of July, and to whom the refunds were made. Thereafter, if any amount has not been refunded, please report by the last work day of each month on your progress in making these refunds, until the entire amount is repaid.

The Honorable Aida Alvarez
Page Two

If you have questions about this letter, please contact Cordell Smith of the Committee staff at (202)224-3594. Thank you in advance for your prompt cooperation in this important matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Bond", written over the printed name.

Christopher S. Bond
Chairman